

Message Text

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43

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 ACDA-19 IO-14 DRC-01 EUR-25 AGR-20 EB-11

SWF-02 COME-00 TRSE-00 /183 W
----- 071282

R 291115Z MAY 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6903

INFO AMEMBASSY BEIRUT

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

LIMITED OFFICIAL USE CAIRO 3659

BEIRUT PASS BAGHDAD

E.O. 11652: N/A

TAGS: ETRD, EAID, PFOR, IR, EG

REF: TEHRAN 4241

1. EGYPT'S PRESS GIVING CONSIDERABLE PLAY TO ECONOMIC AGREEMENTS
SIGNED BETWEEN EGYPT AND IRAN DURING DEPTY PRIME MINISTER
HAGAZY'S VISIT TO TEHRAN MAY 20-25. PRINCIPAL FOCUS GIVEN
TO SUCCESS OF SADAT REGIME'S "OPEN DOOR ECONOMIC POLICY"
IN ATTRACTING NEEDED ECONOMIC ASSISTANCE AND FOREIGN INVESTMENT.
TEHRAN'S EXCELLENT REPORT OF SUBSTANCE AGREEMENT COMPARES IN
EVERY DETAIL WITH REPORTAGE AVAILABLE IN CAIRO (SEE PARA. 2 FOR
BRIEF ADDITION FROM CAIRO SOURCE). SPECIFIC PROJECTS MENTIONED
ARE ONES WHICH ARE IN ADVANCED STATE OF FEASIBILITY STUDY
AND FOR WHICH GOE HAS BEEN SEEKING FINANCING. RECONSTRUCTION
OF CANAL AREA, SUMED PIPE LINE AND WIDENING OF THE CANAL
ITSELF ARE ALL HIGH VISIBILITY PROJECTS INTO WHICH GOE IS
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PRESSING ALL WILLING DONORS. OFFER OF PREFERENTIAL TREATMENT

IN REORGANIZED FREE ZONES, WHICH ARE BEING REMODELED TO ATTRACT NEW INVESTORS, IS VERBALIZATION OF STROONGLY HELD EGYPTIAN HOPE THAT THESE FREE ZONES WILL BE A PANACEA FOR LONG TERM CANAL REDEVELOPMENT. WE EXPECT THAT EGYPTIANS WILL PURSUE VIGOROUSLY ALL ASPECTS OF THE AGREEMENT AS THEY ARE ALL HIGH ON GOE PRIORITY LIST.

2. ACCORDING TO IRANIAN AMBASSADOR, THE IRANIAN DELEGATION UNDER MINISTER ANSARY WHICH VISITED CAIRO IN APRIL WAS READY TO BE SPECIFIC IN TERMS OF AMOUNTS OF AID OFFERED AND PROJECTS TO BE FUNDED. EGYPTIANS, HOWEVER, ASKED FOR MORE TIME TO DEVELOP SPECIFIC PROPOSALS. GIVEN SHORT TIME THAT ELAPSED UNTIL HEGAZY'S VISIT TO TEHRAN, IT IS NOT SURPRISING THAT EGYPTIAN PROPOSAL ARE ALL FOR PROJECTS WHICH ARE IN ADVANCED STATE OF PREPARATION.

3. REINFORCING WARM TONE OF REPORTAGE, PRESIDENT SADAT HAS SENT PERSONAL LETTER OF THANKS TO THE SHAH AND EDITORIALS MAY 28 PRAISE RESUMPTION OF CLOSE RELATIONS AFTER PERIOD OF "UNNECESSARY STRAIN". SAYYID MAR'I AHMAD MAR'I, CHAIRMAN OF THE ORGANIZATION FOR CHEMICAL INDUSTRIES, HAS BEEN APPOINTED TO FOLLOW UP THE SPECIFIC PETROCHEMICAL, PLASTICS AND FERTILIZER PROJECTS.

4. ONLY TECHNICAL DETAIL OF AGREEMENT WE HAVE TO OFFER IS CAIRO REPORT THAT EGYPTIANS WILL USE 100 MILLION DOLLAR CREDIT TO PURCHASE FERTILIZER OVER NEXT TWO YEARS. THIS WILL MEET HEAVY DEMAND FOR NITROGENOUS FERTILIZERS UNTIL THE NEW FERTILIZER PLANTS WHICH ARE MENTIONED IN THE AGREEMENT GO ON STEAM.

5. COMMENT: OUTCOME HEGAZI VISIT IS VIEWED HERE AS BIG STEP FORWARD IN EGYPTIAN-IRANIAN RELATIONS. IF PRESS REPORTS OF EXTENT IRANIAN ASSISTANCE ARE CORRECT, IRAN SUDDENLY RANKS NEXT TO USSR AS PRINCIPAL EGYPTIAN BENEFACTOR. HEGAZI WAS GREETED ON HIS RETURN BY ONE OF THE LARGEST CROWDS YET ASSEMBLED AT AIRPORT AND PICTURES OF HIM SHAKING HANDS WITH IRANIAN AMBASSADOR HAVE BEEN GIVEN WIDE CIRCULATION. TEHRAN BEST ABLE JUDGE WHY SUCH IRANIAN MUNIFICENCE BUT WE WONDER WHETHER SHAH HOPED TO ENLIST SADAT'S COOPERATION TO LIMITED OFFICIAL USE

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USE LATTER'S INFLUENCE WITH FAISAL TO HOLD HIGH PETROLEUM PRICE LEVELS. IRAN IS OBVIOUSLY OUT TO GARNER NEW RELATIONSHIP WITH THE ARABS AND HAS INDEED FOUND A WILLING INITIATE IN DEVELOPMENT-HUNGRY EGYPT.
EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FOREIGN INVESTMENT, PETROLEUM, ECONOMIC AGREEMENTS, FERTILIZERS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CAIRO03659
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740134-0964
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740512/aaaaajwq.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TEHRAN 4241
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Aug-2002 by rowelle0>; APPROVED <19 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, EAID, PFOR, IR, EG, (HEGAZI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005